



STATE OF TEXAS

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TO: Members of the Texas Congressional Delegation

FROM: Governor Rick Perry,
Lieutenant Governor David Dewhurst,
Speaker Joe Straus

DATE: March 21, 2010

SUBJECT: Health Care Bill Costs to the State of Texas

A letter dated March 20, 2010, from Chairman Henry Waxman, reported different cost estimates to the State of Texas than the estimates contained in our letter dated March 19th which were produced by the Texas Health and Human Services Commission (HHSC). Despite public questioning of the Congressional Budget Office's numbers, Chairman Waxman repeatedly cites them in an attempt to refute the multi-billion dollar negative impact on our state budget.

The staff of the HHSC worked most of last night to review all publicly available information, by the White House and Congress, and unless there has been an amendment or deal cut in private, the HHSC stands by the original estimates that the bill will double the number of Medicaid recipients and increase the burden on Texas taxpayers by an additional \$24.3 billion (\$2.43 billion per year) over 10 years. Unless there has been an amendment that has not been made public, we see no reason for Chairman Waxman's analysis to be so dramatically different. Much confusion and misinformation already exists as to what will be included in this legislation, further underscoring the need to conduct public debates in an open, transparent forum.

It seems that the analysis by Chairman Waxman's office only accounts for five years instead of the ten years in the HHSC analysis, which may exclude the years when the costs to the states escalate dramatically. Examining Chairman Waxman's numbers, there is no feasible way to cover over 600,000 children currently eligible but not enrolled for only \$140 million per year. The simple math on that equation would say that the cost to the State of Texas would only be \$19 per person per month. We know that the average cost per month to the state for each child is at least \$150 for this population, and that alone would be over \$1 billion per year of new cost to the taxpayers of our state.

We also want to reiterate our concern for the need for true health care reform that controls rising costs and ensures hard-working Texans can afford health care for themselves and their families. But government programs that are already broken and unsustainable should not be the first place we look to expand coverage. The federal government should focus on market-based reforms that create an accessible and affordable health care system.

We appreciate the work you do in Washington, D.C. on behalf of the hardworking taxpayers of Texas, and we urge you to vote no on this bill. As we are trying to work our way out of the current recession, increasing the burden on the state budget by an additional \$5 billion in General Revenue every biennium is simply unacceptable.



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS
EXECUTIVE COMMISSIONER

High Level Estimated Impact February 22, 2010¹

This estimate uses the Texas Health and Human Services Commission December 3, 2009 Senate estimate as a baseline, and assumes two changes identified in the President's summary reform document released February 22, 2010.

The December 3, 2009 estimated impact for the Senate language analyzed at that time was \$15.6 billion GR (for 2014 – 2023). The analysis noted that up to an additional \$6 billion in costs might accrue related to DSH changes.

The President's proposal includes several changes to the Senate bill. Pending additional detail once the bill language for the President's proposal is released, the estimates below describe the potential Texas financial impact of two discrete changes (differing Federal Financial Participation (FFP) levels for new Medicaid eligibles; and changes in Medicaid eligibility income disregards). Taken together these two changes could result in an additional increase of between \$2.2 - \$2.7 billion GR costs to Texas over the 10 year period 2014 – 2023.

Senate bill (December 3, 2009):

\$15.6 – Senate baseline (December 3, 2009) without DSH

\$ 6.0 – Possible additional DSH-related impact

\$21.6 - Total Potential Senate Impact

President's Proposal Summary (February 22, 2010):

\$ 0.7 – Federal Financial Participation level

\$ 1.5 to 2.0 – Income Disregards

\$2.2 – \$2.7 Additional Impact

Federal Financial Participation Levels

The Senate analysis used the following Senate federal financial participation (FFP) levels for Texas: 100% for 2014-2016; 94.86% in 2017; 93.86% in 2018; and 92.86% in 2019 and beyond.

¹ Model assumptions are included in the attached Senate Floor Estimate Document dated December 3, 2009.

*See discussion of DSH on Senate estimate document in footnote.



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Under the President's proposal FFP for Texas would be: FFP is 100% for four years (2014-2017); 95% in 2018-2019; and 90% for the last four years (2020 – 2023) of the ten year period.

Using the President's FFP amounts it would, compared to the December 3, 2009 Senate estimate, increase GR costs to the state (10 years) by \$700 million to \$16.3 billion GR. Again, an additional \$6 billion may accrue related to DSH.*

The \$700 million increase results because while the President's FFP is 100% for four years (2014- 2017); then 95% for 2018-2019, it goes to 90% for the last four of the ten year period. In comparison, under the Senate proposal, the FFP was at 92.86% in 2019 and stayed at that higher FFP.

Income Disregards

HHSC also estimated the potential impact of changes in the treatment of income disregards as referenced in the President's proposal.

Both Senate and House bills eliminate Medicaid eligibility income disregards. Today, these disregards effectively allow individuals with gross incomes higher than the Medicaid financial eligibility levels to qualify for Medicaid by reducing their countable income. Disregards include costs such as child care.

Under the Senate and House bills, the elimination of income disregards would reduce the number of individuals eligible for Medicaid, and provide an offset to the net state costs of federal reform. Individuals determined to be ineligible for Medicaid because of this change would be eligible for CHIP or a federal subsidy; and both of these programs cost the state less per person than Medicaid.

The President's proposal retains some level of income disregards and therefore diminishes the income disregard savings or offsets found in the Senate and House bills. Compared to the Senate bill, under the President's proposal, more individuals would qualify for Medicaid because of the retention of income disregards. HHSC's analysis assumes that under the proposal, the state would keep half of the Medicaid enrollment anticipated to be lost under the Senate bill related to income disregards.

This change would result in an estimated additional cost to Texas of about \$1.5 - \$2 billion over 10 years. This estimate provides a range of the potential impact since more variables affect, and therefore more assumptions must be made to estimate, the impact of disregards on Medicaid eligibility.